

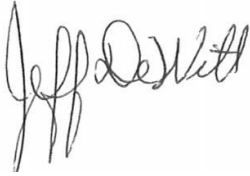
Government of the District of Columbia  
Office of the Chief Financial Officer



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeff DeWitt  
Chief Financial Officer 

**DATE:** March 24, 2014

**SUBJECT:** Fiscal Impact Statement –Breastmilk Bank and Lactation Support Act of 2014

**REFERENCE:** B20-410, Draft Committee Print shared with the Office of Revenue Analysis on February 27, 2014

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**Conclusion**

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The bill is estimated to cost approximately \$63,000 in FY 2014 and \$1.97 million over the FY 2014 through FY 2017 budget and financial plan period.

Its implementation is subject to appropriation in an approved budget and financial plan.

**Background**

The bill encourages the use of breast milk and breastfeeding among new mothers. Specifically, it will:

- *Establish a breast milk bank.* The milk bank, which will be run by the Department of Health (DOH), will collect, process, and distribute donated breast milk to infants. The recipients of donated breast milk are typically infants whose mothers are unable to breastfeed. This most commonly occurs when an infant is born prematurely and the mother cannot produce sufficient breast milk.<sup>1</sup>
- *Create a lactation support center.* The center, also run by DOH, will provide lactation consultations, breastfeeding support classes, an on-site library, a breastfeeding support hotline, and on-site lactation stations with electric breast pumps. The center will lead an outreach campaign to educate the public on the benefits of breastfeeding and inform them

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<sup>1</sup> According to the Human Milk Banking Association of North America: <https://www.hmbana.org/>

of the services available at the milk bank and lactation support center. DOH can award grants to organizations to get assistance with this outreach work and to target communications to groups with historically low breastfeeding rates or specific linguistic and cultural needs. DOH can also grant money for lactation consultations and breastfeeding education to a maternal health facility serving low-income patients.

- *Establish a lactation commission.* The commission will provide information to the Mayor, City Council, and the public about the state of breastfeeding in D.C. and will identify ways to promote breastfeeding and encourage breast milk donation. It will consist of 15 people with subject-matter expertise, including eight mayoral appointees, one representative from DOH, and one representative from the Department of Human Services.
- *Require DOH to regulate private breast milk banks.* DOH will be required to license and register breast milk banks operating in the District of Columbia to ensure the milk is safely collected, processed, and stored.

### Financial Plan Impact

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

The bill is estimated to cost approximately \$600,000 per year once the breast milk bank and lactation support centers are past their start-up phase (FY 2016 and FY 2017). In their start-up year (FY 2015) costs will be slightly higher, at around \$725,000, due to equipment purchases. Around \$60,000 will be needed in FY 2014 to cover costs of staff who will prepare the breast milk bank and lactation support center for operation and coordinate the convening of the lactation commission. Costs are expected to rise in out-years due to increasing medical sector costs.

The Office of Revenue Analysis (ORA) does not anticipate significant costs due to private milk bank regulation over the upcoming fiscal years as there are currently no milk banks operating in the District.<sup>2</sup>

A year-by-year breakdown of costs, revenues, and the total fiscal impact is below.

Cost of Implementing the Breastmilk Bank and Lactation Support Act of 2014, FY 2014 - FY 2017					
	FY 2014 <sup>1</sup>	FY 2015	FY 2016	FY 2017	4-Year Total
<u>Costs</u>					
Breast Milk Bank	\$30,000	\$598,000	\$486,000	\$500,000	\$1,614,000
Lactation Support Center	\$30,000	\$1,123,000	\$1,112,000	\$1,145,000	\$3,410,000
Lactation Commission <sup>2</sup>	\$3,000	\$14,000	\$14,000	\$15,000	\$46,000
<b>Total Cost<sup>3</sup></b>	<b>\$63,000</b>	<b>\$1,735,000</b>	<b>\$1,612,000</b>	<b>\$1,660,000</b>	<b>\$5,070,000</b>
<u>Revenue</u>					
Breast Milk Bank	\$0	\$153,000	\$153,000	\$153,000	\$459,000

<sup>2</sup> According to testimony provided by DOH at the November 14, 2013 District of Columbia Council hearing on the milk bank legislation.

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Lactation Support Center <sup>4</sup>	\$0	\$857,000	\$882,000	\$907,000	\$2,646,000
<b>Total Revenue</b>	<b>\$0</b>	<b>\$1,010,000</b>	<b>\$1,035,000</b>	<b>\$1,060,000</b>	<b>\$3,105,000</b>
<b>Net Negative Fiscal Impact</b>	<b>\$63,000</b>	<b>\$725,000</b>	<b>\$577,000</b>	<b>\$600,000</b>	<b>\$1,965,000</b>

Table Notes

<sup>1</sup> Costs cover three months' compensation for key staff to prepare the milk bank, lactation support center, and lactation commission to be fully operable in FY 2015.

<sup>2</sup> Includes the cost of a 0.25 FTE administrative assistant in DOH who will coordinate the lactation commission's activities.

<sup>3</sup> After FY 2015, milk bank and lactation support center costs are inflated each year by 2.9 percent, which is the annual increase in medical costs projected by the Centers for Medicaid and Medicare Services. Lactation commission costs are inflated by 4 percent a year to account for compensation increases.

<sup>4</sup> Lactation support center revenue is inflated by 2.9 percent a year to account for increases in insurance reimbursements for lactation consultation.

Milk Bank

As the table above shows, the main cost drivers of the bill will be the milk bank and lactation support center. After initial equipment purchases, the milk bank will cost about \$500,000 a year to run and will bring in about \$150,000 annually in milk sales. These calculations assume that the milk bank will process 35,000 ounces of milk a year, which is enough to serve around 200 to 300 of the most medically needy infants.<sup>3</sup> This is on par with the amount of milk that will be processed by the Canadian province of Quebec (home to Montreal), which is opening the first public breast milk bank in North America this month<sup>4</sup>, though some milk banks in the U.S. process as much as 400,000 ounces of milk a year<sup>5</sup>. It is reasonable to assume that DOH might choose to process more milk once the milk bank is operating and it's had a chance to assess the demand for milk in D.C. Therefore, the milk bank costs and revenues should be treated as baseline numbers.

Once initial equipment purchases are made, slightly more than half of the milk bank costs will come from compensating personnel. Building space, lab supplies, milk processing, outreach, and milk delivery make up most of the non-personnel costs. Milk donors will not be compensated.

Revenue will come from hospitals and individuals purchasing breast milk, which is typically sold for about \$5 per ounce. ORA's revenue estimates assume that hospitals will purchase more milk than individuals and that individuals will pay for milk based on a sliding scale adjusted for income.

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<sup>3</sup> The most medically needy infants are often defined as premature infants less than 1,500 grams, according to Dr. Melissa Scala, Assistant Professor of Pediatrics at MedStar Georgetown University Hospital. However, the milk bank legislation will allow DOH to come up with criteria to determine which infants are most in need of donated milk. The calculation that the D.C. milk bank will serve 200-300 infants is based on information from the Mothers' Milk Bank of Austin and Hema-Quebec.

<sup>4</sup> See <http://www.hema-quebec.qc.ca/publications/communiqués/archives/2013/communiqués/banque-publique-lait-printemps-2014.en.html>

<sup>5</sup> According to Amy Vickers, executive director of the Mothers' Milk Bank of North Texas.

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Milk bank advocates and public health professionals<sup>6</sup> sometimes mention savings due to better health outcomes when discussing a milk bank's total cost. ORA has not included these savings in its milk bank revenue estimates because it is difficult to quantify these savings' direct impact on District finances.

A year-by-year breakdown of the breast milk bank's costs, revenues, and total fiscal impact is below.

Breast Milk Bank Costs and Revenues, FY 2014 - FY 2017					
	FY 2014	FY 2015	FY 2016	FY 2017	4-Year Total
Personnel Costs <sup>1</sup>	\$30,000	\$264,000	\$272,000	\$280,000	\$846,000
Equipment Costs <sup>2</sup>	\$0	\$125,000	\$0	\$0	\$125,000
Other Non-Personnel Costs <sup>3</sup>	\$0	\$208,000	\$215,000	\$221,000	\$644,000
Milk Sale Revenue <sup>4</sup>	\$0	\$153,000	\$153,000	\$153,000	\$459,000
<b>Net Negative Fiscal Impact</b>	<b>\$30,000</b>	<b>\$444,000</b>	<b>\$334,000</b>	<b>\$348,000</b>	<b>\$1,156,000</b>

<sup>1</sup> Includes a program manager, nurse, and administrative assistant.

<sup>2</sup> One-time purchases of freezers, pasteurizers, milk analyzer equipment, phones, computers, etc.

<sup>3</sup> Includes building space, IT services, consumable lab supplies (gloves, masks syringes, flasks, etc.), insurance, delivery charges, etc.

<sup>4</sup> Assumes milk will be sold for \$5 per ounce to hospitals and sold to individuals on a sliding scale.

### Lactation Support Center

The costs of operating a lactation support center are much higher than the milk bank, at about \$1.1 million a year. The lactation support center will provide services for a fee, which in some cases will be paid for by the clients and in other cases be paid for by their insurance companies or Medicaid. ORA estimates these fees will generate around \$900,000 a year in revenue. These calculations assume that the lactation support center will serve around 3,400 women a year, which accounts for half of District women giving birth each year who are not already served by lactation support services through the Women, Infants, and Children (WIC) program.

As with the milk bank, the biggest cost for the lactation support center at more than \$600,000 per year will be personnel, which will mostly consist of lactation consultants<sup>7</sup>. Building space will also be costly (about \$300,000 per year), as the center must have sufficient space for one-on-one consultations, a library, lactation stations, and classrooms. However, the building space calculations assume that up to half of targeted women will receive services at off-site maternal health centers receiving grants from DOH. Outreach, equipment (mostly hospital-grade breast pumps), and supplies round out the rest of the costs.

The lactation support center will be able to recoup much of these costs through revenues from one-on-one lactation consultations, which are covered by most private insurers as well as Medicaid

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<sup>6</sup> Such as the operators of the Hema-Quebec milk bank and DOH officials when testifying before District of Columbia Council on November 14, 2013.

<sup>7</sup> Financially, it will make more sense for the lactation support center to have more lactation consultants than peer counselors since Medicaid will not reimburse for consultations by peer counselors. The WIC lactation program relies heavily on peer counselors to deliver lactation education.

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starting April 1, 2014. The revenue calculations assume that 25 percent of women going to the center won't have any insurance coverage and will pay according to a sliding scale.

If the new Medicaid lactation consultation reimbursement policies do not go into effect as anticipated, lactation support center revenues could drop significantly.

A year-by-year breakdown of the lactation support center's costs, revenues, and total fiscal impact is below.

<b>Lactation Support Center Costs and Revenues, FY 2014 - FY 2017</b>					
	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>4-Year Total</b>
Personnel <sup>1</sup>	\$30,000	\$624,000	\$642,000	\$661,000	\$1,957,000
Equipment and Supplies <sup>2</sup>	\$0	\$99,000	\$59,000	\$60,000	\$218,000
Outreach <sup>3</sup>	\$0	\$100,000	\$103,000	\$106,000	\$309,000
Building Space <sup>4</sup>	\$0	\$300,000	\$309,000	\$318,000	\$927,000
Lactation Consultation Revenue <sup>5</sup>	\$0	-\$857,000	-\$882,000	-\$907,000	-\$2,646,000
<b>Total Fiscal Impact</b>	<b>\$30,000</b>	<b>\$266,000</b>	<b>\$231,000</b>	<b>\$238,000</b>	<b>\$765,000</b>

<sup>1</sup> Includes a program manager, administrative assistant, six lactation consultants, and 1.5 FTE peer counselors.

<sup>2</sup> Hospital-grade electric breast pumps, lactation supplies, library materials, office supplies, etc.

<sup>3</sup> Based on outreach costs of WIC's lactation support program.

<sup>4</sup> Assumes a 4,000 square foot building at \$75 per square foot.

<sup>5</sup> Assumes 75 percent of women have some form of insurance (private or Medicaid) and that insurance reimburses providers an average of \$100 per lactation consultation session.